

Maine Milk Commission Special Meeting Minutes  
Deering Building, Room 233  
Augusta, Maine 04333

Notices for the October 20, 2006 meeting were distributed to Commission members, intervenors and other interested parties September 25, 2006 and sent to the Secretary of State's Office for posting on September 25, 2006.

**Commission Present:** John Joseph Jr., Katherine O. Musgrave, Colon Durrell and Shelley Doak *ex-officio*.

**Commission Absent:** Michael Wiers

**Department Officials:** None

**Staff Present:** Stan Millay, Executive Director, Audrey Shorty, Resource Administrator and Carol Gauthier, administrative assistant.

**Legal Counsel:** Lucinda White, Assistant Attorney General not present.

**Intervenors Present:** John Blake, H.P. Hood, Inc. and Thomas Brigham, Oakhurst Dairy

**Others Present:** Dale Cole, dairy farmer and President, MDIA, Fred Hardy, MDIA and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were, Leon Graves and Steve Pyne from Dairy Marketing Services and Bob Wellington from Agri-Mark Cooperative, also dairy farmers Harold Larrabee, Chuck Farrand, Barney Wright, John and Adele Palmer, Dick Perkins, John Stoughton and Dan Harriman. Attending from Feed Commodities, David Wadsworth and Ellis Additon and from St. Albans Cooperative, Leon Berthiaume.

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Meeting called to order at 1:35 p.m. by acting chair, Colon Durrell.

**Agenda Item 1: Minutes:** Shelley Doak made a motion to accept the minutes of the meeting on September 22, 2006. Katherine Musgrave seconded. Motion passed 3-0.

**Agenda Item 2: Lucinda White, Assistant Attorney General:** Stan Millay provided copies of a memo prepared by Lucinda White that addresses the Commission's authority regarding adoption of prevailing premiums. In the memo Lucinda concludes that the Commission's authority in setting minimum prices is circumscribed by statutory language set forth in subsection 2 of 7 M.R.S.A. §2954 and are the considerations that must guide the MMC's decision-making.

This language does not require that the Commission automatically or formulaically recognize every "prevailing premium" in New England. Instead, the Commission must carefully weigh the statutory general factors, and use these to determine a minimum producer price that will preserve competition in the industry while also taking into account factors special to Maine milk production.

**Agenda Item 3: Minimum Prices:** There is a prevailing premium of \$1.10/cwt on Class I for October 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt. In addition to this premium, both Agri-Mark and DMS reported that they will be charging their Class I customers an additional \$0.40/cwt for milk that comes from producers who have signed agreements stating that they do not treat their cows with the rBST hormone.

There is a Farm Bill Counter Cyclical Payment (MILC) for November 2006 of \$0.4386. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Shelley Doak made a motion to accept schedule #11-06 with a producer cost of production adjustment of \$1.35/cwt. It includes a \$15.65/cwt Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.10/cwt as prevailing in neighboring states, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$19.70/cwt. Katherine Musgrave seconded the motion.

Bob Wellington supported the motion as stated without consideration of any rBST free premium. He said that any rBST premiums that are prevailing are volatile and production oriented. He said rBST free payments are similar to quality or volume premiums. He told the Commission that demand for milk from cows not treated with rBST is widespread through the Northeast and producers should be compensated for the additional cost of providing it. He also explained that there were costs associated with segregating rBST free milk from conventional production. He pointed out that this made any premiums charged for rBST unique and urged the Commission to not adopt them as prevailing so as not to include them in Maine's minimum price schedule.

He suggested that the Commission add a footnote to the minimum price schedule that recognizes that there is a \$0.40/cwt premium being charged to Class I customers but is not included in the minimum price schedule. He said this might help Maine processors in negotiating price with their customers.

He went on to explain that Agri-Mark Cooperative has joined with others in the Northeast to form the Greater Northeast Milk Marketing Agency. The agency will be working to increase the price of rBST free milk.

Fred Hardy expressed concern that a \$0.40/cwt rBST free premium mentioned in a footnote would not necessarily mean more money would be paid to producers.

Leon Graves told the Commission that he supported the motion as stated without inclusion of any premium for rBST free milk and he said that he agreed with Bob Wellington's comments, including words in a footnote explaining the rBST premium. He went on to say that customers are demanding milk from cows not treated with rBST and that there is a cost associated with producing it that producers should be compensated for.

Referring to the pricing agency mentioned by Bob Wellington, Leon said the goal is to raise the market price of milk produced from cows not treated with rBST. He said that rBST users gain between \$0.50/cwt and \$1.00/cwt because of it and they cannot absorb this loss in the current milk price they receive.

Tom Brigham told the Commission that there was no merit in a footnote; either adopt the rBST premium into the minimum prices or forget it. He went on to say that a \$0.40/cwt rBST premium is unsubstantiated at this point and no one was paying it yet. He urged the Commission to wait to see what happens.

Bob Wellington informed the Commission that Agri-Mark has been billing their customers \$0.20/cwt for milk produced without the use of rBST since September 1, 2006. Leon Graves said DMS has been doing so as well.

Tom Brigham pointed out that there are reported premiums ranging from \$0.90/cwt to \$1.10/cwt in addition to the \$0.20/cwt just mentioned, so any premium adopted by the Commission should not be more than \$1.30/cwt.

Julie-Marie Bickford reminded the Commission that rBST premiums are similar to quality premiums and are market driven. She said recent news articles noted the increased value at retail of milk from cows not treated with rBST. She went to say that the Commission does not adopt premiums paid to producers of organic milk. She pointed out that if the Commission added a premium to the Class I price for rBST only about 45% of it gets returned to the producer and then a like amount would be subtracted from the stabilization program so the producer ends up with no additional income. She said that the producer cannot pass along costs like the processors and retailers do and they need to recover their costs or go out of business.

Julie-Marie again referred to recent news articles that suggest consumers are willingly paying 50 cents per gallon or more for milk that comes from cows not treated with rBST. She reminded the Commission of the high retail price of milk in Maine and how much higher it is than the minimum retail price set by the Commission. She explained that 50 cents per gallon is \$5.80/cwt. She pointed out that someone other than the producer is getting this money. She suggested that \$0.40/cwt for rBST free milk is nowhere near enough compensation for the producer. She agreed with Leon Graves' information that using rBST added between \$0.50/cwt and \$1.00/cwt to producer income. She cited studies by Texas, Wisconsin and Cornell University that found using rBST returned between \$0.67/cwt and \$0.94/cwt to the producer. She went on to urge the Commission to use caution in considering a footnote to the price schedule, saying it would be the next thing to adoption and MDIA does not support adoption of a rBST premium.

Katherine Musgrave asked if there was anyway to get reliable data about the value of rBST free milk in the retail store.

Shelley Doak responded saying that she has not seen any data about the value of rBST free milk except in a recent Boston Globe article that cited a growing organic milk market that is partially responsible for a higher demand for milk from cows not treated with rBST. She said the same article reported conventional milk sales as being flat.

Bob Wellington mentioned surveys showing people going to organic milk to get away from hormones (rBST), antibiotics and to buy local. He said the retail stores seem to be pricing rBST free milk in between organic and conventional.

Leon Graves said that surveys he has seen show consumers are interested in milk from cows not treated with rBST. He went on to say that DMS conducted an unscientific survey that showed an additional 28-cent per gallon mark-up on rBST free milk over conventional.

Dale Cole reported that costs to producers have not declined and have even gone up for some things. He said producers are the only ones not able to recover their costs. He said that the first he had heard about a premium being charged since September 1, 2006 for rBST free milk was at this meeting. He asked why none of that premium had been paid to producers.

Bob Wellington said the goal was to get as much money back to the producer as possible. He told the Commission that it would be easier for the processors to get their money back if the Commission would acknowledge a premium. He said if the processor will not pay it, we cannot get it. However he did not support adding such a premium to the minimum price schedule.

Tom Brigham again stated that he was opposed to a footnote about rBST premiums. He also stated that he believed the cost of producing rBST free milk was reflected in the cost of production study adopted by the Commission.

John Blake told the Commission that H.P. Hood can not get its money back if the cost is not built into the minimum price schedule. He said their customers simply would not pay for something that was not in the minimum prices set by the Commission.

No other comments were offered. Motion passed 3-0.

**Agenda Item 4: Maine Monthly Price Survey:** The Commission reviewed the Maine price survey for October 2006 which included prices for Augusta and Bangor and reviewed the August IAMCA milk survey.

**Agenda Item 5: Next Scheduled Meetings:**

- November 17, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

- December 22, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 9, 2007, Tuesday 10:30 a.m.  
Agricultural Trade Show Augusta Civic Center, Augusta, ME
- January 19, 2007, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- February 23, 2007, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

**Agenda Item 6: Other:**

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins:** Stan Millay reported that the University of Maine had collected the necessary data and would have a preliminary report available at the next meeting.

**Agenda Item 7: Executive Session: The Commission did not go into Executive Session. Adjourned: 2:30 p.m.**

Stanley Millay, Executive Director, Maine Milk Commission.